



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
TE/GE – EO Mandatory Review
1100 Commerce Street, MC 4920-DAL
Dallas, TX 75242

501.03-00

Date: June 24, 2010

Number: **201040036**

Release Date: 10/8/2010

Employer Identification Number:

Person to Contact:

Identification Number:

Contact Telephone Number:

In Reply Refer To:

TE/GE Review Staff

LEGEND

ORG = Organization name

XX = Date Address = address

ORG

ADDRESS

CERTIFIED MAIL – Return receipt requested

Dear :

This is a Final Adverse Determination revoking your exempt status under section 501(c)(3) of the Internal Revenue Code.

Our adverse determination was made for the following reasons:

ORG has failed to provide evidence that it is currently operated exclusively for an exempt purpose within the meaning of Internal Revenue Code section 501(c)(3). It is not a charitable organization within the meaning of Treasury Regulations 1.501(c)(3)-1(d) in that you failed to establish that you were operated exclusively for an exempt purpose. We determined that your activities fail to accomplish one or more of the exempt purposes specified in IRC 501(c)(3), as they are primarily social and recreational in nature; therefore, you do not operate exclusively for exempt purposes.

Based upon the above, we are revoking your organization's exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code effective August 9, 20XX.

Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code.

You are required to file Federal income tax return Form 1120. These returns should be filed with the appropriate Internal Revenue Campus for the year ending December 31, 20XX and for all years thereafter.

Processing of income tax returns and assessment of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination in court, you must initiate a suit for declaratory judgment in the United States Tax Court, the United States Claim Court or the District Court of the United States for the District of Columbia before the 91st day after the date this determination was mailed to you. Contact the clerk of the appropriate court for the rules for initiating suits for declaratory judgment.

You also have the right to contact the office of the Taxpayer Advocate. However, you should first contact the person whose name and telephone number are shown above since this person can access your tax information and can help you get answers. You can call 1-877-777-4778 and ask for Taxpayer Advocate assistance. Or you can contact the Taxpayer Advocate from the site where the tax exempt status was determined by calling (404) 338-8099, faxing (404) 338-8096, or writing to: Internal Revenue Service, Taxpayer Advocates Office, 401 W Peachtree Street NW, Summit Bldg., Room 510, Stop 202-D, Atlanta, GA 30308.

Taxpayer Advocate assistance cannot be used as a substitute for established IRS procedures, formal appeals process, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determinations, nor extend the time fixed by law that you have to file a petition in the United States Tax Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

We will notify the appropriate State Officials of this action, as required by section 6104(c) of the Internal Revenue Code.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Nanette M Downing
Director, EO Examinations



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY

Internal Revenue Service
TE/GE, Exempt Organizations
401 W. Peachtree St., Stop 504-D
Atlanta, GA 30308

June 25, 2009

ORG
ADDRESS

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Dear ,

We have enclosed a copy of our report of examination explaining why we believe an adjustment of your organization's exempt status is necessary.

If you do not agree with our position you may appeal your case. The enclosed Publication 3498, *The Examination Process*, explains how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

If you request a conference, we will forward your written statement of protest to the Appeals Office and they will contact you. For your convenience, an envelope is enclosed.

If you and Appeals do not agree on some or all of the issues after your Appeals conference, or if you do not request an Appeals conference, you may file suit in United States Tax Court, the United States Court of Federal Claims, or United States District Court, after satisfying procedural and jurisdictional requirements as described in Publication 3498.

You may also request that we refer this matter for technical advice as explained in Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*. If a determination letter is issued to you based on technical advice, no further administrative appeal is available to you within the IRS on the issue that was the subject of the technical advice.

If you accept our findings, please sign and return the enclosed Form 6018, *Consent to Proposed Adverse Action*. We will then send you a final letter modifying or revoking exempt status. If we do not hear from you within 30 days from the date of this letter, we will process your case on the basis of the recommendations shown in the report of examination and this letter will become final. In that event, you will be required to file Federal income tax returns for the tax period(s) shown above. File these returns with the Ogden Service Center within 60 days from the date of this letter, unless a request for an extension of time is granted. File returns for later tax years with the appropriate service center indicated in the instructions for those returns.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Beverly Martin
Revenue Agent, Exempt Organizations

Enclosures:
Publication 892
Publication 3498
Form 6018
Report of Examination
Envelope

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer ORG		Year/Period Ended 12/31/20XX

LEGEND

ORG = Organization name XX = Date State

This report supersedes report issued on 6/16/20XX.

Issue:

Whether ORG meets the requirements of Section 501(c)(3) of the Code?

Facts:

In July, 20XX, ORG (hereinafter "ORG") applied for recognition as a tax-exempt organization under section 501(c)(3) of the Code. On December 1, 20XX, based on the information that ORG provided in its application for exemption and on the assumption that ORG would operate in the manner represented in its application, ORG was recognized as a tax-exempt organization as described in section 501(c)(3) of the Code.

An examination was conducted of ORG for tax year ended December 31, 20XX. A review of ORG's activities revealed that the organization was formed to promote minority family travel and opportunities for camping activities.

ORG's Articles of Incorporation, Article III, #1 describes its purposes as follows:

- a. To provide an opportunity for social interchange among ORG owners;
- b. To provide a forum for members to exchange experiences, problems and solutions as they pertain to ORG recreational vehicles, and
- c. To promote communication among owners of ORG recreational vehicles and among these owners.

Article III, #3 further provides that ORG was formed as a regional independent group of ORG recreational vehicle owners.

ORG provides opportunities, on a monthly basis, for recreational vehicle owners to meet, camp and socialize. Members of ORG also volunteer their time to the Sickie Cell Foundation of STATE and the National Multiple Sclerosis Society. ORG also made donations to each of these organizations in the amount of \$ each in 20XX.

ORG is primarily supported by membership dues. In 20XX, ORG's income from membership dues totaled \$ or 84% of its total support. ORG received donations in the amount of \$ (16%).

Law:

Section 501(c)(3) provides that corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or education purposes, or to foster national or international amateur sports competition

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit
Explanation of Items		
Name of Taxpayer ORG		Year/Period Ended 12/31/20XX

(but only if no part of its activities involve the provisions of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office, shall be exempt from taxation unless such exemption is denied under Section 502 or 503.

Section 1.501(c)(3)-1(a)(1) of the regulations provides that in order to be exempt as an organization described in section 501(c)(3) of the Code, the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will not be regarded as operated exclusively for exempt purposes if more than an insubstantial part of its activities is not in furtherance of exempt purposes.

Section 1.501(c)(3)-1(d)(ii) of the regulations provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Thus, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

The presence of a single substantial nonexempt purpose can destroy the exemption regardless of the number or importance of exempt purposes. Better Bus. Bureau v. United States, 326 U.S. 279, 283, 90 L. Ed. 67, 66 S. Ct. 112 (1945); Am. Campaign Acad. v. Commissioner, 92 T.C. 1053, 1065 (1989); see also Old Dominion Box Co., Inc. v. United States, 477 F.2d. 340 (4th Cir. 1973), cert. denied, 413 US 910 (1973) ("operating for the benefit of private parties who are not members of a charitable class constitutes a substantial nonexempt purpose"). When an organization operates for the benefit of private interests, such as designated individuals, the creator or his family, or persons directly or indirectly controlled by such private interests, the organization by definition does not operate exclusively for exempt purposes. Am. Campaign Acad. v. Commissioner, supra at 1065-1066.

Conclusion:

In order to qualify as a charitable organization under section 501(c)(3) of the Code, an organization must be both organized and operated to achieve a purpose that is described under that Code section. The facts show that in 20XX, ORG's activities were, primarily social and recreational in nature. Although members of ORG did volunteer and participate in assisting other charitable organizations to achieve their goals, this was not their primary purpose. ORG is

Form 886A	Department of the Treasury - Internal Revenue Service	Schedule No. or Exhibit
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primarily a social/recreational club in that its major function is to provide opportunities for its members to meet, socialize and camp out.

Government's Position

ORG is not exempt under Section 501(c)(3) of the Code. ORG does not operate exclusively for exempt purposes and their primary purpose is to facilitate and promote camping activities among minorities. Therefore, ORG's exempt status should be revoked, effective August 9, 20XX. In view of this fact, it follows that contributions to ORG are not deductible under Section 170(a) of the Code.

Taxpayer's Position:

ORG's position as it relates to the facts, law and conclusion as stated in this report are unknown. ORG will be given 30 days to review this report and provide a response.